GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:386
ANSWERED ON:09.08.2002
FOREIGN EXCHANGE RESERVES
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Will the Minister of FINANCE be pleased to state:

(a) the break-up of foreign exchange reserves of various countries with India at present;

(b) the amount invested by the Reserve Bank of India out of the foreign exchange reserves during the last three years, year-wise and;

(c) the impact on the prices due to non-utilisation of the reserves for productive purposes?

Answer

MINISTER OF FINANCE & COMPANY AFFAIRS (SHRI JASWANT SINGH)

(a), (b) & (c) : A statement is placed on the Table of the House.

Statement referred to in reply to parts (a) to (c) of the Lok Sabha Starred Question No. 386 regarding `Foreign Exchange Reserves` for answer on 9-08-2002.

(a):The foreign currency assets of the Reserve Bank of India (RBI) broadly comprise convertible hard currencies. For the purpose of Special Data Dissemination Standards (SDDS) data template, prescribed by International Monetary Fund, currencies are classified into (i) those in the Special Drawing Right (SDR) basket, and, (ii) those in non-SDR basket. As on June 30, 2002, 99.89 per cent of India`s reserves were held in currencies in SDR basket and the remaining 0.11 per cent in non-SDR basket.

(b): Investment of foreign exchange reserves by the Reserve Bank of India is governed by the provisions of the Reserve Bank of India Act, 1934, as modified from time to time. Accordingly, the foreign exchange reserves are invested in approved foreign securities and deposits abroad with due considerations of safety, liquidity and yield of the funds so invested. India`s foreign exchange reserves, which stood at US$ 38.0 billion at end-March 2000, increased to US$ 42.3 billion at end-March 2001 and further to US$ 54.1 billion at end-March 2002. India`s foreign exchange reserves stood at US $59.96 billion at end-July 2002.

(c): It is difficult to establish a direct relationship between productive activities, utilisation of foreign exchange reserves and the rate of inflation. However, despite significant increase of foreign exchange reserves during 2001-02, the point to point annual rate of inflation in terms of the Wholesale Price Index(WPI) declined from 5.6 per cent in 2000-01 to 1.6 per cent in 2001-02 and 2.7 per cent as on July 20, 2002.